

National Assembly for Wales
Children, Young People and Education Committee
Scrutiny of Draft Budget 2015 – 2016 – Minister for Education and Skills and Deputy Minister for Skills and Technology
CYPE(4)–25–14 – Paper 5

Introduction

1. This paper provides information to the Children, Young People and Education Committee on the Education and Skills proposals outlined in Draft Budget 2015-16, published on 30 September 2014. It also provides an update on specific areas of interest to the Committee.

Background

2. Draft Budget 2015-16 provides a one year plan for investment in the provision of education and skills in Wales. The table below provides an overview of the planned Education and Skills Main Expenditure Group (MEG) together with the changes made to the indicative budget since the publication of Final Budget 2014-15.

Education and Skills MEG – Summary

	2014-15	2015-16	2015-16	2015-16
	Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
	£000	£000	£000	£000
Resource DEL	1,629,443	1,560,094	20,515	1,580,609
Capital DEL	153,834	173,834	0	173,834
Total DEL	1,783,277	1,733,928	20,515	1,754,443
Annually Managed Expenditure	252,082	237,862	62,009	299,871
Total MEG	2,035,359	1,971,790	82,524	2,054,314

3. Compared to the indicative plans for 2015-16 published at Final Budget 2014-15, the total Resource DEL allocation for Education and Skills has increased by £20.5m (1.3%) to £1,754.4m in 2015-16. The increase of £20.5m is made up of:

	£000
Recurrent transfer in from Local Government MEG - transfer out of Revenue Support Grant (RSG) for: <ul style="list-style-type: none"> • provision of professional training for Educational Psychologists (£0.54m); and • to support the reformed and modernised service for the administration of student finance (£2.5m) 	3,040
Net reduction to MEG - amounts transferred back to Reserves	-47,425
Schools Challenge Cymru – transfer from Reserves	12,100
Budget Agreement – Pupil Deprivation Grant (PDG) by increasing grant to £1,050 per pupil (£44m) and extending PDG to under 5s (£3.8m).	47,800
Budget Agreement – Apprenticeships	5,000

	£000
Resource DEL – net increase	20,515

4. There is no change to the overall capital budget of £173.834m in 2015-16. This includes the additional £30m of capital investment announced at Final Budget 2014-15, as part of a £200m funding boost to accelerate delivery of the 21st Century Schools Capital Programme through an extension to the Local Government Borrowing Initiative.
5. The Annually Managed Expenditure (AME) budget is primarily related to student loans which are demand led and sensitive to interest rate and other macro-economic factors and therefore difficult to forecast. This budget is agreed with the Treasury each year and is fully funded. The budget increases by £62.009m in 2015-16 to reflect the latest forecasts of demand.
6. The Action level budget plans for Education and Skills MEG were published on 30 September. To aid transparency a breakdown of changes to the Education and Skills MEG by Budget Expenditure Line (BEL) is provided at Annex 1. As requested by the Committee, Annex 1 also includes detail on 2014-15 allocations (as at First Supplementary Budget in June 2014), 2014-15 projected outturns and 2013-14 final outturns. It has not been possible to present indicative allocations for 2016-17 as requested by the Committee, as budgets have not been confirmed beyond 2015-16 at this stage.

Budget Context – Priorities

7. This budget is set in the context of the constraints imposed by the UK Government in recent spending reviews, together with the prioritisation of funding within and across portfolios, whilst planning to deliver the commitments made in the Programme for Government and delivering an ambitious legislative programme. All of the decisions that we face are difficult. There are no easy answers and there has been no way that we can shield services from the effect of the UK Government cuts and the implications of prioritising spend.
8. Building on our review to manage reductions published in Draft Budget 2014-15, we have undertaken a continual line by line review of budgets to establish how further reductions can be managed whilst continuing to reflect our priorities. Whilst difficult decisions have had to be made, our priorities for education in Wales remain unchanged and our published spending plans reflect this.
9. Strengthening literacy and numeracy and breaking the link between disadvantage and educational attainment continue to be our priorities. We have successfully implemented a wide range of reforms such as the National Literacy and Numeracy Framework (LNF), National Reading and Numeracy Tests, and rolled out the Masters in Educational Practice (MEP). The Review of the National Curriculum and Assessment also provides an important opportunity to consider how we place these priorities at the heart of the Welsh education system.
10. *Qualified for Life – An Education Improvement Plan for 3 to 19 year-olds in Wales*, launched on 2 October, sets out our vision and aim for education to 2020. It includes four strategic objectives and associated actions which will ensure we continue our

improvement journey. Underpinning these strategic objectives and integral to each of them, are our priorities of improving literacy and numeracy and breaking the link between disadvantage and education attainment.

11. Against a challenging financial backdrop, our *Qualified for Life* plan sets out our commitment to rationalising education grants in order to provide greater flexibility to schools and consortia, and ensure that administration costs and unnecessary bureaucracy are minimised so that as much funding as possible is directed to the front line. We also wrote to Local Authorities in August outlining our intentions to rationalise a number of grants for 2015-16. In direct support of this, we are simplifying grant funding arrangements in 2015-16 to allow schools to focus on what matters most – improving educational outcomes for children in Wales. In this draft budget, we have rationalised a number of local authority grants to create a new Education Improvement Grant for schools, totalling £141m, which is presented in a new School Improvement Grant BEL within the Education Standards Action for 2015-16. Further detail on the grants that have been transferred is set out at paragraph 43.
12. A new programme designed to tackle the impact of poverty on educational attainment - *Rewriting the Future: raising ambition and attainment in Welsh schools*, which was launched in June 2014, will ensure that all children in Wales can achieve their full potential regardless of their family background or parental income. This Draft Budget will help deliver on this agenda, through the additional £47.8m secured as part of the Budget Agreement, to boost Pupil Deprivation Grant (PDG) in 2015-16.
13. This new programme and the additional investment in PDG form a key component of the Welsh Government's Tackling Poverty Action Plan and, crucially, is an important response to breaking the link between poverty and educational attainment. The gap in attainment at Key Stage 2 between Free School Meals (e-FSM) and non FSM learners has been steadily narrowing over the past 3 years, but investment is critical to making continued improvements.
14. The additional allocation of £12.1m we have secured from Reserves for the Schools Challenge Programme, in 2015-16, offers the opportunity to make significant progress in the attainment of learners in schools that face some of the most challenging contexts. We will assess the requirements for the second year of the programme for participating schools, as they progress through the first year. Any further funding required up to the £20m will be considered during the 2015-16 year alongside other demand led budgets, from capital or revenue sources as appropriate.
15. Further efforts to tackle deprivation are evidenced in this Draft Budget through the Post-16 Learner Support Action, with the continuation of our Educational Maintenance Allowance (EMA) Wales Scheme at £30 per week in academic year 2014/15. We have also maintained our discretionary 'hardship' fund (Financial Contingency Fund) for both further and higher education institutions in Wales for academic year 2014/15.

Programme for Government commitments

16. The Department for Education and Skills has five strategic objectives which support the delivery of outcomes in the Programme for Government to which we have aligned our spending:

- To raise standards of education and training provision, attainment and infrastructure across Wales so everyone can reach their potential;
- To deliver a skilled workforce with high quality opportunities for all learners contributing to the creation of growth and jobs;
- To support individuals, families and communities to improve wellbeing by reducing inequality and increasing participation;
- To see the Welsh Language thrive in Wales; and
- To be a high performing department and employer of choice.

17. The performance measures outlined in our new *Qualified for Life* plan also link to indicators set out in the Programme for Government. The Programme for Government (PfG) sets out the outcomes we are working towards, and the decisions taken in this draft budget ensure that our spending plans continue to be aligned, as far as possible, to deliver our commitments. A mapping of our Actions to PfG Sub-Outcomes has been published in the Draft Budget document. The latest Programme for Government Annual Report, published in June 2014, provides an update on the actions we are taking to support our priorities. We will continue to monitor performance against PfG commitments as part of the annual reporting process, to ensure associated outcomes are monitored and evaluated to demonstrate value for money.
18. In this Draft Budget, we have endeavoured to protect our Programme for Government commitments from the scale of reductions we have faced. A summary of draft budget changes by Action relevant to this Committee is provided below, together with costs and associated impact on Programme for Government commitments.

Literacy and Numeracy Action

2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
7,036	6,197	(1,685)	4,512

19. The budget funds a range of interventions to support the agenda of improving literacy and numeracy skills of children and young people. The budget decreases in 2015-16 compared to indicative plans by £1.685m. We are looking at more effective approaches to family learning support that will enable more efficient use of budget resources and better arrangements for strategic delivery.
20. The reduction in funding does not correspond to a reduction in focus on our priorities of improving literacy and numeracy. Funding within this Action has already supported the development of the LNF which will help achieve our aim that all children in Wales are able to develop excellent literacy and numeracy skills.
21. We have allocated £2.3m within the Curriculum and Assessment BEL in the Curriculum Action in 2015-16, for the National Support Programme, which will

provide continued support to all schools in Wales to ensure that the LNF is implemented effectively. The new Education Improvement Grant for schools will also have within its remit the Department's priorities of literacy and numeracy, and adds substantially to the total support offered for these skills in schools.

Curriculum Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
134,268	116,056	(88,150)	27,906

22. The budget decreases by £88.15m compared to previously published plans for 2015-16. This is primarily due to the 14-19 Learning Pathways (£4m) and Foundation Phase (£98m) grants being merged into a new Education Improvement Grant for schools from April 2015. Further detail on the new, simplified grant system for 2015-16 is provided under the Education Standards Action at paragraphs 42 to 44.
23. The 14-19 grant has been reduced by £4m before being amalgamated into the new Education Improvement Grant. The grant has been reducing over recent years as the policy has become embedded, and the reduction in the key stage 4 local curriculum offer requirements from 30 to 25 choices has reduced the financial requirements on schools in terms of course provision. It is not anticipated that the proposed reductions will impact on our Programme for Government commitment for schools and FE colleges to deliver the statutory local curriculum requirements, and funding has been protected to ensure those learners who started their courses in September 2013 will receive the necessary funding.
24. We remain committed to the Foundation Phase and its approach to teaching and learning. As a result funding for the Foundation Phase remains consistent with previously published plans for 2015-16, including the Foundation Phase grant to local authorities of £97.8m, which has now moved into the new Education Improvement Grant.
25. There should be no impact on our Programme for Government commitment to develop and enhance practitioners' skills in delivering the Foundation Phase, and our *10-year plan for the Early Years, Childcare and Play Workforce in Wales*, which went out for consultation on 22 September, will help ensure that early years practice is in line with the Foundation Phase in all schools and settings. We have also allocated £0.18m within the Curriculum and Assessment BEL in 2015-16, to support a new Foundation Phase baseline assessment, which will be introduced in September 2015.
26. Within the Curriculum and Assessment BEL, additional funding of £2.8m has been provided to support the introduction of new, Wales-only, GCSEs in English, Welsh Language, Mathematics and Mathematics-Numeracy for first teaching from September 2015. The funding will also support the development of a package of Science Literacy resources for the introduction of new Science GCSEs for first teaching in September 2016. It will also contribute towards our target to raise

attainment levels and support our commitment to improve Wales' performance in PISA.

27. An additional £1m has been allocated to the Curriculum and Assessment BEL to support the implementation of the recommendations of Professor Graham Donaldson's independent review of the national curriculum and assessment in Wales, and a further £2m to match the pledge by The Arts Council of Wales (ACW) to support the implementation of the National Plan for Creative Learning.
28. The Curriculum and Assessment BEL also includes an allocation of £12.1m from Reserves for the Schools Challenge Programme. Further information on the budget allocation for this programme is covered at paragraphs 105 to 108 under the specific areas section of this paper.

Teaching and Leadership Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
17,849	17,849	(1,893)	15,956

29. We have delivered our Programme for Government commitment of establishing a Masters in Educational Practice (MEP) qualification. The reductions in this action have been possible, whilst maintaining our commitment in Programme for Government, through the development of a new Masters model. The programme will be more flexible and accessible to all practitioners as part of career long professional learning. The new Masters programme will commence from September 2016, with marketing commencing for the new programme in September 2015.
30. Funding to local authorities for Statutory Teacher Inductions and assessment arrangements for Higher Level Teaching assistants totalling £0.6m has transferred to the Education Standards Action and amalgamated into the new Education Improvement Grant for schools.
31. The new Initial Teacher Training BEL has been established with £5.569m transferring from the Teacher Development and Support BEL to support the work attached to Initial Teacher Training. This reflects a change in divisional responsibility for the management of policy, programmes and grant funding that support the promotion, recruitment and training of teachers leading to Qualified Teacher Status.

Qualifications Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
5,045	5,603	2,300	7,903

32. This action funds the Welsh Baccalaureate, accreditation of qualifications and the implementation of the Review of Qualifications. Following on from the Review of Qualifications, which presented a coherent package of change required for delivering our Programme for Government commitment of simplifying the qualifications system in Wales, we are in the process of implementing all recommendations.
33. The new qualifications system that we are developing will be underpinned by Qualifications Wales, and we have allocated an additional £2.3m in this budget to contribute towards the establishment of this new independent body. Further information on the budget allocations is covered at paragraphs 100 to 102 under Qualifications in the specific areas section of this paper. The budget will ensure that, working with partners, we can deliver high quality, valued qualifications, which will include revised GCSEs, AS and A levels and a new more rigorous Welsh Baccalaureate.

Post-16 Education Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
533,905	536,693	(29,142)	507,551

34. This action includes funding for local authority sixth form provision, Adult Community Learning (ACL) provision, support for delivery in Further Education Institutions (FEI), support for projects and quality improvement activities and investment to deliver high quality work based learning opportunities. The budget decreases by £29.1m compared to previously published plans for 2015-16.
35. The budget for Further Education Provision BEL reduces in 2015-16 from plans previously published by £14.1m. This includes a recurrent transfer in of £7.5m from the Wellbeing of Children and Young People Action, for further education supplementary funding for students with learning difficulties which will now be distributed as part of the post 16 Planning and Funding Framework rather than a separate grant. It also includes a recurrent transfer out of £9.9m relating to Welsh for Adults to the Welsh in Education Action.
36. We will look to utilise the new planning and funding methodology introduced for the 2014/15 academic year, to guide programme delivery in these sectors and provide positive outcomes for learners. We have also continued to prioritise the provision for 16 to 18 year olds in the sector to support our policy drive to reduce the number of young people who are Not in Education, Employment or Training (NEET). Whilst our Programme for Government commitment for having arrangements that allow for better strategic planning has now been completed, we are unable to give three year funding arrangements at present due to the short term budget allocation that the Welsh Government has itself.
37. The Work Based Learning BEL reduces by £15m in 2015-16 compared to plans previously published. This includes an additional £5m allocated as part of the Budget

Agreement to help mitigate against planned cuts. In terms of Programme for Government, we are continuing to invest in the Young Recruits Programme by targeting places for those on shared apprenticeships. We will also provide funding to support pilot projects aimed at supporting the promotion of apprenticeships; as well as the delivery of apprenticeship programmes and employability programmes for non-employed learners aged 16-18 (Traineeships) and non-employed adults aged 19+ (Work Ready). The budget will be prioritised to support those who are part way through their programmes at 1 April 2015 and to support as many new young apprentices as possible, as well as those wishing to start a Higher level Apprenticeship. We will also be looking to maximise our use of European funding to boost our impact in this area.

Higher Education Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
362,697	360,723	540	361,263

38. The budget for Higher Education Action has increased compared to indicative plans for 2015-16 due to a transfer from the Revenue Support Grant to fund the provision of professional training for Educational Psychologists of £0.540m. The provision to HEFCW remains the same as 2014-15.
39. There has been substantial reconfiguration in both South West and South East Wales, with the creation of the transformed University of Wales Trinity St David and the University of South Wales. The final report on the review of Higher Education in North Wales has been published and the institutions concerned are considering the report's recommendations. This has created a smaller number of stronger universities in Wales as committed in Programme for Government.
40. As reported in the 2013-14 Programme for Government report, a number of commitments relating to the governance of higher education institutions have been superseded by the Higher Education (Wales) Bill.
41. Further detail on Higher Education is provided under the specific areas section of the paper at paragraphs 142 to 145.

Education Standards Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
32,761	34,261	109,862	144,123

42. The budget increases by £110m from previously published plans in 2015-16, principally due to the creation of a new simplified grant system for 2015-16, that will lead to more flexibility and ultimately better outcomes for learners. Whilst our commitment to protect schools funding at 1% above the total Welsh budget remains firm, we have had to consider the capacity for reductions to some of our grants to schools as part of the re-prioritisation exercise. Whilst the new grant system reflects these reductions, this will be mitigated in part, through increasing flexibility and reducing the administrative burden of reporting and monitoring processes of the new grant.
43. This grant brings together a number of exiting grants streams, with transfers from 14-19 Learning Pathways grant (£4m), Foundation Phase grant (£97.75m), Minority Ethnic Achievement grant and Gypsy Traveller grant (£8m), Welsh in Education Grant (£5.13m), and funding from the Teaching and Leadership Action (£0.58m), which supports Statutory Teacher Inductions and assessment arrangements for Higher Level Teaching assistants. Taken together with the School Effectiveness Grant (£24.5m) and Lead and Emerging Practitioner Schools Grant (£0.2m) transferring from the School Effectiveness Grant BEL and Band 4 and 5 funding (£0.83m) transferring from the School Standards Support BEL, we are allocating a total grant of £141m in 2015-16.
44. The new, simplified grant system for 2015-16 should lead to more flexibility around funding and ultimately better outcomes for our learners. It will be clearly linked to policy priorities outlined in the Programme for Government and the new *Qualified for Life* plan. We are working at pace on the proposals and further information will be made available over the coming months.

Pupil Deprivation Grant Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
71,246	34,246	47,800	82,046

45. The Pupil Deprivation Grant (PDG), introduced in April 2012, is a key opportunity for schools to provide targeted support to reduce inequalities in educational attainment. The creation of the PDG was initially for a three year period until 2014-15, but funding was extended to 2015-16 in Draft Budget 2014-15 in recognition of the importance placed on this grant to help address the impact of deprivation on educational attainment.
46. We are allocating £82.046m to support the Pupil Deprivation Grant in 2015-16. As part of the Budget Agreement an additional £44m has been allocated to uplift the current PDG from £918 per eligible pupil in 2014-15 to £1,050 in 2015-16, and £3.8m to extend the PDG to under 5s.

Wellbeing of Children and Young People Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
22,483	22,733	(5,741)	16,992

47. The budget decreases by £5.741m in 2015-16 due to the recurrent transfer from the Specialist Placements and Students with learning difficulties BEL of £7.5m to the Post-16 Education Action outlined at paragraph 35, for further education supplementary funding for students with learning difficulties which is now being distributed as part of the post 16 Planning and Funding Framework rather than a separate grant. Offsetting this transfer, we have allocated an additional £3m to the BEL to reflect the additional demand for learners up to age 25 who require provision at independent specialist colleges in order to meet their needs.
48. Funding for the Food and Drink in Schools BEL has been maintained at £3.2m, as part of our Programme for Government commitment to continue our free school milk programmes for young people up to the age of seven.
49. The School Based Counselling BEL has been reduced by £0.42m as we consider proposals for developing counselling provision for children in the primary phase. Funding for the provision of counselling by local authorities for all children and young people in Year 6 and aged between 11 and 18 has been underpinned by legislation since April 2013, and £4.5m was transferred to the RSG from 2013-14 to support this service.
50. Programme for Government included a commitment to reform the process for children and young people with additional learning needs in schools and Further Education. We have allocated £2.2m to the Additional Learning Needs BEL in 2015-16, which will allow sufficient funding to facilitate the work required to introduce a new legislative framework for supporting children and young people with additional learning needs, via the Additional Learning Needs (Wales) Bill.

Post-16 Learner Support Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
320,096	308,561	4,550	313,111

51. The budget for the Assembly Learning Grant BEL has increased from the indicative plans by £4.05m to £190.92m. This budget includes the demand led statutory student support programme accounts for HE and FE. The budget supports Part-Time Grants and Fees, Student Loan Company (SLC) Targeted Grants, Welsh Government Learning Grant and Education Maintenance Allowance. We said in the

Programme for Government that we would maintain our commitment to provide financial support to students from the lowest household incomes and we are doing this by retaining the overall level of support available for students. Further detail on budget provision for post-16 learner support is detailed under the specific areas section of this paper at paragraphs 138 to 141.

52. The budget for SLC Administration BEL increases from the indicative plans for 2015-16 by £2.5m as a result of a transfer from the Revenue Support Grant following the modernisation of Student Finance Wales. Further detail on SLC is provided under the specific areas section of this paper at paragraphs 157 to 158.
53. The budget for Targeted Awards decreases by £2.0m compared to the indicative plans for 2015-16. The budget supports Financial Contingency Funds (FCF) to provide support for students in genuine need. For 2015/16, we are protecting the further education financial contingency funds, but have taken the decision to remove the discretionary higher education contingency fund scheme. The Oldbell3 independent review of financial contingency funds found that those students who could access full statutory support through grants and loans are usually adequately funded. However the FCF allowed institutions to be flexible and accommodate exceptional circumstances. As the income available to HE institutions in Wales is rising with the change in the fee regime, we are working with the sector and the National Union of Students to identify how universities can support their vulnerable students.

Pupil Engagement Action

2014-15 Supplementary Budget June 2014 £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000
12,258	12,758	(12,100)	658

54. The budget decreases by £12.1m from previously published plans for 2015-16, as a result of proposals that the Minority Ethnic Achievement Grant (MEAG) and specific grant for the Education of Gypsy and Traveller Children will be combined and transferred into the larger Education Improvement Grant for schools within the Education Standards Action. The budget for 2015-16 makes notional provision of £8m for this new funding stream. This still represents significant Welsh Government funding for this group of learners and local authorities will continue to be able to supplement this funding with additional resource from the RSG.
55. Whilst it will no longer be possible to maintain funding levels for MEAG at £10m, the transfer of funding provides an opportunity to rethink our approach to supporting these learners. We want to work with Local Authorities and the regional School Improvement Consortia to develop a new approach to service delivery that is more cost effective, better targeted, more outcomes focused, less bureaucratic and which permits much greater self determination. In this way, children with English as an Additional Language will continue to have their needs met and support to overcome barriers to learning associated with ethnic minority background will continue to be addressed through school improvement policy and practice.

56. Changes to the funding regime are being managed in negotiation with the Association of Directors of Education in Wales and the Welsh Local Government Association, to consider how to reconfigure services to protect the most important delivery elements and provide support to those learners who need it most.
57. We have also had provisional discussions with the Minority Ethnic Achievement LA (MEALA) practitioners group and intend to have further discussions with them before the implementation of the new arrangements in 2015-16. Critical to these discussions will be the need to develop an effective and robust outcomes framework for minority ethnic pupils within the new funding stream. This will help ensure that these learners' needs remain a priority area and that local authorities remain accountable for delivering an effective and targeted service to support their education.

Welsh in Education Action

2014-15	2015-16	2015-16	2015-16
Supplementary Budget June 2014	Indicative Plans Final Budget December 2013	Changes	New Plans Draft Budget
£000	£000	£000	£000
15,462	14,462	4,137	18,599

58. The Welsh in Education Action increases by £4m from previously published plans for 2015-16, but this is primarily due to two recurrent transfers;
- £9.867m in from Post-16 Education Action for Welsh for Adults funding in order to streamline processes for the sector; and
 - £5.13m of the remaining Welsh in Education Grant to the Education Standards Action, to create the new Education Improvement Grant for schools.
59. Therefore, there has been an overall reduction to Welsh in Education budgets of £0.6m, which is primarily made up of the reduction to funding for the Welsh in Education Grant of £0.5m prior to transfer to the Education Standards Action. There are minimal reductions to resource commissioning, planning and research, communications and marketing budgets within the Action, which all contribute towards our Programme for Government commitment to deliver the Welsh-medium Education Strategy and to seek to increase the number of people speaking & using Welsh in our education system.

Preventative Spending

60. Within the Education and Skills portfolio we are putting significant resources into areas of preventative spend in order to raise standards of literacy and numeracy and reduce the impact of deprivation on attainment. These early intervention programmes will impact a child early in their learning and give them solid foundations for their ongoing education which in turn increase their chances in the labour market.
61. The *Building a Brighter Future: Early Years and Childcare Plan* launched in July 2013, recognises that investing in the early years through education has a significant influence on a child's development. There is widespread agreement that early childhood experiences are crucially important for children's long term development

and their achievements later in life. That is why we are continuing to protect our investment in programmes such as the Foundation Phase to support the early years, albeit the majority of funding totalling £97.8m is now being directed through the new amalgamated grant for schools. By providing a statutory curriculum for all children aged 3 to 7 year olds, the Foundation Phase is directed to ensure that children have the best possible start in life enabling them to achieve their full potential and take their full place in society.

62. The PDG, is a key intervention in preventing poverty, and provides funding directly to schools to invest in effective ways of tackling the impact of poverty on children's attainment. Through the extra £47.8m for PDG in 2015-16, secured as part of the Budget Agreement, we are focussing on achieving key targets set out in the Tackling Poverty Action Plan including that of improving the overall attainment levels of students eligible for free school meals. The extension of PDG to under 5s, totalling £3.8m, will ensure that the most disadvantaged learners have access to high quality education in their early years.
63. Within the Literacy and Numeracy Action which totals £4.5m for 2015-16, funding provided for the national reading and numeracy tests is expressly intended to inform and support preventative actions and early interventions around learners' literacy and numeracy. As these are key skills for life, and the lack of sufficient skills is a barrier to children reaching their full potential, all of the expenditure on tests is in itself preventative. The provision of funding on the National Support Programme of £2.3m in 2015-16, which is funded from the Curriculum Action, will also support schools to increase literacy and numeracy attainment at an early stage, thus preventing the need for intervention programmes.
64. The new Education Improvement Grant for schools totalling £141m is considered to be preventative, and combines grant funding for a number of areas including Foundation Phase, SEG, Gypsy and Traveller children and ethnic minority children.
65. Our spend on the 21st Century Schools programme, which includes total investment of nearly £1.4bn, is seen as preventative with investment targeted towards those schools that are in the poorest condition and being used inefficiently. Funding for replacement and or refurbishment will in the long run reduce backlog maintenance costs, future maintenance and revenue running costs through rationalisation of the school estate.
66. Reducing the inequality of educational outcomes between different groups is one of the main objectives we need to achieve in order, in the medium to long term, to lift children and young people out of poverty, reduce the likelihood of them becoming not in employment, education or training (NEET) or entering the criminal justice system and to give them the best opportunity to have improved health and life outcomes. The Youth Engagement and Progression Framework, funded from the Youth Engagement and Employment Action, is built around the needs of young people and the accountability of different agencies, thereby strengthening and delivering better outcomes for young people.

Legislation

67. The budget continues to take account of our current legislative programme. An Annex setting out the costs for 2015-16, of both previously enacted legislation and anticipated costs of draft legislation (where Bills have been introduced into the Assembly), has been published alongside the Draft Budget narrative. A more detailed update on the costs of our legislative programme relevant to the remit of this Committee is provided below.

School Standards and Organisation (Wales) Act 2013

68. The School Standards and Organisation (Wales) Act received Royal Assent on 4 March 2013. As part of its implementation, and actioned in Draft Budget 2013-14, funding of £21.8m for school based counselling and school breakfasts transferred to the Revenue Support Grant within Local Government MEG from 2013-14 onwards. This funding continues to form part of RSG allocation for 2015-16.
69. Under the Act, local authorities are accountable for planning Welsh-medium provision and Welsh Education Strategic Plans became statutory from April 2014. The implementation of the WESPs will continue to be supported through funding for the Welsh in Education Grant which has been transferred into the new single amalgamated Education Improvement Grant for schools from 2015-16.

Education (Wales) Act 2014

70. The Education (Wales) Act which received Royal Assent on 12 May 2014, renames and reforms the existing registration body, the General Teaching Council for Wales (GTCW) to create the Education Workforce Council (EWC), extends the registration, qualification and training requirements of the education workforce, and makes provision for the determination of school term and holiday dates in Wales.
71. The intention is for a phased approach for the registration of the wider education workforce, with the EWC becoming operational from 1 April 2015. The consultation on *Registration fees for the education workforce in Wales* runs until 7 November 2014. The regulations will allow for a transitional year in 2015-16, with the final fee model to be in place for registration in April 2016.
72. From 1 April 2015, Further Education (FE) teachers will be required to register with the EWC. In the first year only, a subsidy for FE teachers has been proposed which will require an additional £0.180m in 2015-16, with costs being met from the Teaching and Leadership Action. The new EWC will continue to be a self financing body.
73. The final element of the Bill is the standardisation of school term dates, which has an estimated minimal staff cost impact of £0.031m over two years (until 2015-16), which will be met from the DfES running costs budget.

Further and Higher Education (Governance and Information) (Wales) Act 2014

74. The Further and Higher Education (Governance and Information) (Wales) Act 2014 received Royal Assent on 27 January 2014. The Act removes a number of restrictions and controls on further education institutions. There are not expected to

be any costs to the Welsh Government in 2015-16 in order to implement the new provisions. Changes required to guidance, including updating the Audit Code of Practice and Financial Memorandum will be managed by officials within the DfES and will therefore be met from the existing departmental running costs budget.

Higher Education (Wales) Bill

75. The Regulatory Impact Assessment (RIA) for the Higher Education (Wales) Bill was published on 19 May 2014 and outlined additional costs to the Welsh Government of the preferred option to reform the functions of HEFCW to enable effective regulation. The RIA set out additional costs for the Welsh Government of £0.172m in 2015-16. However the majority of costs relate to staff costs, which will fall to the departmental running costs budget, leaving additional programme costs of £0.035m.
76. This additional funding will be met from the existing provision within the Higher Education Action, and there are no reductions proposed against this Action for 2015-16.

Qualifications (Wales) Bill

77. The financial implications associated the *Qualifications (Wales) Bill* are covered at paragraph 102 under Qualifications in the specific areas section of this paper.

Additional Learning Needs (Wales) Bill

78. The consultation exercise on the White Paper closed on 25 July and 215 responses were received. Until responses have been analysed we cannot say with certainty that all the proposals will be taken forward precisely as envisaged in the White Paper. However, any costs associated with the legislation will be met from existing resources within the Education and Skills MEG, and therefore may require the re-prioritisation of budgets once costs are quantified.
79. In the absence of additional money, we have commissioned a review to assess the quantum of funding for SEN currently in the system. This will help inform the development of innovative and cost effective ways to deliver support for learners with SEN as part of the reforms. The findings of the review will also be used to develop our Regulatory Impact Assessment, which will be published in June 2015.
80. The proposals, amongst other things, will include the transfer of funding for specialist placements from the Education and Skills MEG to local authorities via the Revenue Support Grant (RSG). The provisions were originally included in, but subsequently withdrawn from, the Education (Wales) Bill. To account for the increasing demand on Specialist Placements we have allocated an additional £3m to the Wellbeing of Children and Young People Action in 2015-16. However this is not indicative of any future funding allocation which will be subject to further negotiation before transferring to RSG (not due until 2017-18).

Financial Education and Inclusion (Wales) Bill

81. The Welsh Government does not support the Financial Education and Inclusion Bill. The RIA to the Bill currently contains very rough costs of implementing the Bill to the Welsh Government and wider public sector. The Welsh Government believes that the

RIA would benefit from more detail around some of the cost calculations to improve the robustness of financial information supplied. Notwithstanding this, the Welsh Government's budget remains fully committed at this time and therefore if the Bill were to become law these costs would have to be reprioritised from existing budgets.

82. An update on the financial implications for DfES of the *Financial Education and Inclusion (Wales) Bill* is covered at paragraphs 109 to 110, under the detail on financial education in the specific areas section of this paper.

UK Legislation

83. We are also involved in monitoring a number of UK Bills, which as a Department we have a specific interest in or may impact on our remit indirectly. These include; the Deregulation Bill; Small Business, Enterprise and Employment Bill; Education (Information Sharing) Bill; Consumer Rights Bill; Childcare Payments Bill and the Crime Justice and Courts Bill. We will continue to work with Whitehall to understand the implications to the Department, including the full budgetary impact, if any. However, at this stage, it is anticipated that any additional costs if there are any will be minimal and can met from within the MEG if necessary.

Subordinate legislation and previous Measures

84. There are no significant cost implications for the Education and Skills in 2015-16 as a result of subordinate legislation, with any costs of implementation being met from the existing departmental running costs budget. There is no direct impact on the portfolio as a result of the Learning and Skills Wales (Measure) 2009. Currently all schools and FE colleges are meeting the requirements of the Measure. Earlier this year the Learning and Skills Wales Regulations were amended, reducing the choices for KS4 learners from 30 to 25 choices with the vocational number within this figure reducing from 5 to 3 - this change was effective from September 2014.

Cross-cutting considerations

85. Equality considerations have been central to the development of our spending plans. An Integrated Impact Assessment (IIA) was published alongside the draft budget narrative on 30 September.
86. This year's impact assessment takes account of the positive contribution that our spending decisions can make to a fairer society, and not only covers the equality impact of our spending decisions on the nine protected characteristics but also takes account of the impacts on Welsh Language, Rights of the Child, Tackling Poverty aligned under the umbrella of well-being, as set out in the *Well-being of Future Generations (Wales) Bill*. We have ensured that policies and programmes reflect our commitment to sustainability, by considering investment that we can make now to prevent more expensive action in the future.
87. Under the Rights of Children and Young Persons (Wales) Measure 2011, we have given balanced consideration to the rights set out in the UNCRC. A separate Children's Rights Impact Assessment for the overall Draft Budget 2015-16 and for Education and Skills MEG has not been published separately, but forms part of the IIA, and considers all impact, including children's rights, in an integrated way.

88. An example of a decision that has been influenced by the factors in the impact assessment includes the extra £3m funding we have allocated to the Specialist Placements/Students with Learning Difficulties BEL, directed to specialist placements for learners up to age 25 that require specialist provision in order to access FE suitable to their assessed needs.

Specific areas

89. This section provides an update on specific areas requested by the Committee.

1% budget protection for schools

90. Protecting frontline spending in schools remains a priority and throughout the current Spending Review period we have protected schools funding by 1% above changes to the Wales DEL overall. To provide greater transparency on how this commitment is delivered, an Annex setting out the protection for schools budgets has been published alongside the Draft Budget narrative.
91. The protection for schools has been calculated on the basis of protecting funding for schools at 1% above the average annual growth in the Wales DEL over the Spending Review period. The average annual growth in the Wales Resource DEL between 2010-11 and 2015-16 was an increase of 0.02%, which equates to an average annual growth to schools budgets of 1.02%. This means that over this period we have provided an additional £105.9m investment to schools.
92. The protection has been provided through a number of different funding streams, including the Local Government Revenue Support Grant (RSG) and budgets within Education and Skills portfolio. As a result, the additional investment to schools of £105.9m is made up of £72m from the Local Government RSG and the remaining £33.9m coming from the Education and Skills MEG.
93. The funding for the Pupil Deprivation Grant, including the additional £47.8m in 2015-16, is over and above the Welsh Government's commitment to increase schools funding by 1% above overall changes to the Welsh budget over this period. We will continue to monitor grant funding separately in line with arrangements for each individual grant.
94. Local Authorities are required through the monitoring returns to evidence that their budgeted spending on schools increases in line with the Local Government funding element of the 1% protection (net of specific grants and allowing for adjustments in pupil numbers). The monitoring data received from Local Authorities up to 2014-15 demonstrates that all Local Authorities have either met or exceeded the 1% commitment.
95. Whilst the protection for schools within RSG rests with the Minister for Public Services (previously the Minister for Local Government and Government Business), DfES continue to work with local government officials to discuss the results of local authority monitoring data, and with the WLGA to understand the potential impact on education, schools, and the wider council services.

Pupil Deprivation Grant

96. Ipsos Mori and WISERD have been appointed to undertake an ongoing evaluation of the PDG, how it is being interpreted and implemented, and what impact it is having on pupil performance and school practice. The consultants have submitted their draft first year report. The evaluation incorporates three main elements: a survey of 201 schools completed in spring 2014; in-depth case studies among 22 schools; and an in-depth analysis of pupil attainment and absence data from the National Pupil Database. It is expected that the report will be published in October.
97. Sir Alasdair MacDonald has also been appointed as Raising Attainment Advocate to engage directly with schools to act as a 'critical friend' in the use to which the PDG is put, and to report on perceptions of how well engaged the sector is with this agenda, where excellent practice has been seen and where there is a perception or reality of 'blockages' in the system. Sir Alasdair's first report has been received and his findings are being considered alongside the Ipsos Mori and WISERD's draft first year report.
98. The PDG is devolved to schools via the regional consortia and local authorities based on the number of eligible pupils in each school. There are a number of arrangements in place to monitor the use of PDG funds, including:
- Consortia are required to provide highlight reports in September on schools' performance in meeting the targets set out in school plans.
 - Consortia Challenge Advisers are tasked with working with schools to ensure appropriate use of grant monies.
 - When the Consortia submit their first claims in October they are required to provide further information on target outputs to date.
 - An evaluation report is required in February on the activities supported by the grant which should include an analysis of how expenditure has impacted on educational outcomes and a clear statement of the main lessons learned. These reports may be received later if the data is not available to schools in time for the evaluation report.
99. As Minister for Education and Skills, I wrote to schools and local authorities in January informing them that monies may be recovered if there is clear evidence that they have not spent PDG funds in accordance with the terms and conditions of the grant. The Wales Audit Office will conduct financial monitoring of grant recipients at year end. Accountability has been further strengthened through the inspection process, with a greater emphasis on assessing how well schools support vulnerable pupils, and how they make use of resources such as PDG.

Qualifications Wales

100. A budget provision of £7.903m has been allocated to qualifications in 2015-16, covering both the on-going implementation of the Review of Qualifications (RoQ) and the establishment of Qualifications Wales.
101. The budget for continued implementation in 2015-16 of the recommendations of the Review of Qualifications (other than recommendation 5, establishment of Qualifications Wales) is £0.2m. This provision covers the RoQ implementation programme and communication costs only. The recommendations of the Review also

impact on other parts of the Department for Education and Skills, as well as Department for Economy Science and Transport. It is not possible to give a global figure for the costs of implementation of all recommendations, as the recommendations have influenced ongoing policy and qualification development and will largely have transferred to business as usual by the first half of 2015-16.

102. Within the Qualifications Action we have allocated an additional £2.3m in 2015-16 for the set up costs associated with Qualifications Wales. The final breakdown of costs will be published as part of the Regulatory Impact Assessment when the *Qualifications (Wales) Bill* is introduced on 1 December 2014. A further transfer is anticipated from the Central Services and Administration MEG to the Qualifications Action, to be actioned as part of a Supplementary Budget in 2015-16, to account for the Welsh Government staff transferring to the new body from 1 September 2015.

Curriculum

103. Within the Literacy and Numeracy Action, there is provision of £0.2m in 2015-16 to support the implementation of Phase 1 of the curriculum and assessment review. We are taking steps to further strengthen the teaching of English, Welsh and mathematics with revised programmes of study. The Areas of Learning and Programme of Study are due to be published on 17 October 2014, alongside guidance and a rolling programme of support in readiness for statutory implementation, for first teaching in September 2015.
104. In relation to phase 2 of the review, Professor Donaldson is not due to finalise his report on the national curriculum and assessment arrangements in Wales until the turn of the year. At this stage, therefore, it is neither appropriate nor possible to pre-empt the financial implications associated with the implementation of any recommendations. However in recognition of the importance of this review, additional funding of £1m has been earmarked in the Curriculum and Assessment BEL of the Curriculum Action to support the initial scoping work on implementation, subject to our response to this review.

Schools Challenge Cymru

105. Approximately £12.1m of a package of support up to £20m announced for the Schools Challenge Cymru Programme was identified by the Minister for Finance, as part of our response to the UK Government's Autumn Statement, and was transferred to Education and Skills in the First Supplementary Budget 2014-15. In respect of the remaining £7.9 million, we are currently looking at how our portfolio could be used to support delivery of the programme, alongside managing competing in-year priorities and implementing in-year reductions.
106. Schools Challenge Cymru Pathways to Success Schools were asked to submit their school development plans by the end of July and these plans are currently being finalised. From plans submitted, it is evident that some schools within the programme also require capital intervention, and therefore we are also exploring, as requested by schools, the option of utilising our capital budget as part of £7.9m balance, to enable investment proposals to be developed.
107. Once the 40 Pathways to Success plans have been finalised, we will be in a position to confirm where funding to support delivery of the Schools Challenge Cymru

programme will be secured from. Any changes will be reflected in the Second Supplementary Budget 2014-2015.

108. An additional £12.1m of funding has been secured from Reserves in Draft Budget 2015-16 for the continuation of Schools Challenge Cymru programme into 2015-16. As outlined at paragraph 14, we will assess the requirements for the second year of the programme for participating schools, as they progress through the first year. Any further funding required up to the £20m will be managed during the 2015-16 year alongside other demand led budgets, from capital or revenue sources as appropriate.

Financial education

109. Financial education is already taught in schools and has been since 2008 in the maths and PSE curricula. The Literacy and Numeracy Framework, which became statutory in September 2014, contains specific financial skills, for example 'Manage Money'. The teaching and learning of these skills are supported by regional education consortia and the National Support Programme, which continues to be funded from the Curriculum and Assessment BEL.
110. The *Financial Education and Inclusion (Wales) Bill* is not a Government introduced Bill, and as yet, there is no provision within the Welsh Government programme to fund it. The RIA to the Bill currently contains very rough costs of implementing the Bill, and is currently being scrutinised to assess the full financial impact – including the opportunity costs - of this proposed Bill on the Welsh Government, local authorities and schools. There remain three stages of legislation to go through first, and it is imperative that we have clarity on the benefit of this proposal Bill before budgets are redirected from vital education services to fund it.

Capital funding for school building improvements

111. A budget provision of £130.813m within the Strategic Investment BEL of the Estate and IT Provision Action supports delivery of our flagship 21st Century Schools Programme during 2015-16. The programme represents a £1.4 billion investment over a five year period ending in 2018-19. All 22 local authority areas will benefit from this major schools improvement programme, which will see the rebuilding and refurbishment of 150 schools and colleges across Wales.
112. The programme is 50% funded by the Welsh Government using a combination of capital and revenue funding (approximately £530 million capital and £170 million revenue supported borrowing), with the remaining 50% of funding provided by local authorities or colleges.
113. Consideration of the ability of the Local Authority to match fund is a key element of our scrutiny process. All projects are approved subject to the receipt of a satisfactory Business Case, which must demonstrate that match funding is available and provides clarification of the sources of this funding. This consideration is in line with the requirements of the Better Business Case method, where each project must provide strategic, economic, commercial, financial and management information to ensure that any project funded is aligned with Government objectives, provides value for money, and is commercially viable, affordable and deliverable.

Teachers' Continuing Professional Development

114. The statement on 10 June 2014 makes a commitment to establishing high quality professional learning as part of the professional experience of every practitioner. In practice, this is provided at school level with the support of consortia. As such, the national model of professional learning details what many schools are already doing through the provision they make for developing their staff. The challenge is to engage all schools in sharing this commitment.
115. Regulations will be introduced in the autumn that will require every school to have a School Development Plan (SDP) that will include how they plan to develop all their staff. For some schools this will represent a cultural shift from a traditional reliance on expensive, externally provided 'one-off' courses that have little impact on improving classroom practice to greater use of in-school and between-school collaborative development such as observation, coaching and mentoring and progressive leadership development.
116. To achieve this cultural shift does not in itself require additional funding but relies on more effective use being made of the existing funding provided to schools through sources such as the PDG and the new Education Improvement Grant, together with other sources such as the National Support Programme and Schools Challenge Cymru. Each school needs to satisfy itself that it is targeting its resources at the professional development activities that will have the greatest impact on classroom practice and improving standards.

Structural change in delivery of education services

117. Robert Hill in his report on *The Future Delivery of Education Services in Wales* called for increasing financial flexibility and reducing the administrative burden for schools, in particular for those that are performing well. Significant work has already been done by DfES to rationalise grant funding in previous years, and the decision to transfer a number of further grants to create an overarching Education Improvement Grant totalling £141m will help to address Robert Hill's recommendations.
118. The Robert Hill review will help shape Wales' education reform programme, and the National Model for regional working in Wales, which became operational from April 2014, is an integral part of that. It provides an approach to school improvement based on school-to-school support, founded on a partnership ethos with the aim of creating a self-improving system. Local government has given its commitment to protect school improvement funding within the local government RSG to support the National Model, which replaces the proposal in the Hill Review, to fund regional school improvement services through a transfer out of RSG.
119. The Lead and Emerging Practitioner Schools Pathfinder Programme will support schools and school leaders to learn from each other, providing the building blocks for collaborative work, school-to-school support and overall school improvement. We are using this work to raise standards, and inform the sharing of good practice of how schools learn from one another to underpin the National Model for Regional School Improvement and development of Schools Challenge Cymru to develop arrangements across Wales. Funding of £0.2m has transferred to the new Education Improvement Grant within the Education Standards Action in 2015-16 to continue this support to schools.

120. Approximately £0.025m is allocated from the Teacher Development and Support BEL of the Teaching and Leadership Action for the National Leadership Development Board in 2015-16.

Welsh-medium education

121. The Welsh in Education Action totalling £18.6m in 2015-16, provides support for the continued implementation of the Welsh-medium Education Strategy, and budgets will be prioritised to areas where the greatest benefits can be achieved.

122. Other budgets within the Education and Skills portfolio that support the implementation of the Strategy include funding for:

- Coleg Cymraeg Cenedalethol within the For Our Future BEL of the Higher Education Action, with an indicative allocation of £8.6m for 2015-16;
- Welsh-medium Work Based Learning provision within the Work Based Learning BEL of the Post-16 Education Action; and
- Cam wrth Gam, a training programme for practitioners in the Foundation Phase, with funding of £1.7m allocated from the Foundation Phase BEL of the Curriculum Action in 2015-16.

123. The implementation of Welsh in Education Strategic Plans will continue to be supported through the transfer of funding totalling £5.13m for the Welsh in Education Grant into the new Education Improvement Grant for schools for 2015-16.

Further education

Mergers

124. Mergers are a key policy driver and a means of ensuring greater strategic effectiveness and cost efficiency. Efficiency gains arising from mergers are expected to be significant and DfES expects the institutions to re-invest these sums to the benefit of learners, businesses and the local community. However initial costs of merger can be substantial due to reorganisation, merging systems, staffing and marketing.

125. Our Transformation policy has stimulated and supported a number of further education institution (FEI) mergers across Wales. Mergers completed in 2014 resulted in the reduction from 20 in 2009 to 9¹ institutions, delivering on our Programme for Government commitment to encourage further mergers of FE colleges.

126. Each merger has identified savings in their respective Business Cases. In the first year following merger, FEIs have tended to report on initial short term achievements which, in the main, have been around financial efficiencies and savings which will eventually impact on the primary aim of merger; to realise and redirect benefits to learner outcomes and progression, quality, and access.

¹ The data excludes Merthyr Tydfil College, after May 2006 it merged with the University of Glamorgan and the designated institutions YMCA, St David's Sixth Form College, WEA Cymru. From 2013/14, the data also excludes Coleg Ceredigion and Coleg Sir Gar, following the merger with University of Wales Trinity St David who are now both designated institutions. This is in line with the analysis in the Report of the Independent Task and Finish Group on the Structure of Education Services in Wales.

127. In many cases the savings relate to rationalisation of middle and senior management staff and business support staff as well as implementation of systems, including IT support, procurement, and finance and administration systems across a wider organisation allowing for the non replacement of back-office staff and savings through natural wastage.
128. The merger of Deeside College and Yale College to create Coleg Cambria has delivered significant savings in expenditure and has also ensured that commercial income is better maximised. Efficiency savings of £1.140m have been reported since the merger through a reduction in pay costs and non-pay costs. Non-pay savings have been secured through the rationalisation of back office functions, reduced professional fees and economies of scale through procurement. Coleg Cambria will continue to maximise efficiencies to ensure the College maintains a strong financial position which will enable investment in the estate and new technologies to create an inspirational learning environment. Further efficiencies are planned within the financial forecast which will ensure the total efficiency savings exceed £1.5m.
129. Coleg Sir Gâr has reported savings of £1m. This includes £0.340m HE franchise savings, whilst Coleg Y Cymoedd has identified savings of £0.101m in the first year of operation. Neath Port Talbot College Group have indicated a saving of £0.630m for 2013/14 and predict an additional £1.7m for 2014/15.
130. Given the three year horizon for full evaluation, many of the merger benefits, including those for Coleg y Cymoedd; NTCP group; Coleg Sir Gar and University of Wales Trinity Saint David; and Coleg Cambria will not be evidenced until 2016-17.

FEI allocations

131. In 2014-15 allocations to FEIs were reduced according to the levels of Part Time provision offered and all FE part time provision was cut by 37.5 percent. However, in order to lessen the impact of the reduction to post-19 part-time learning in Further Education Institutions, we allocated £12.5m from the Employment and Skills BEL as an introduction to the Skills Priority Programme. This funding is ringfenced and is intended to support part time employed learners.
132. Due to this additional funding, it was possible to limit the decreases in allocations so that the largest reduction to any college, Coleg Ceredigion, was 2.92%. The total overall allocation for FEIs for 2014/15 is £305.078m, a decrease of 1.60% on the previous year.
133. We have worked extensively with all sectors that faced a reduction in funding. Working groups were set up with Finance Directors to discuss the reductions and how to minimise the impact on learners. Similarly officials met with Senior Curriculum Managers to share best practice when delivering programmes of learning to learners.
134. Senior Welsh Government Officials and Colegau Cymru board representatives have also met to agree approaches to minimise the impact of the 2014-15 allocations. A similar approach of collaborative working is expected once the draft budget for 2015-16 has been finalised.

Provision for 16 to 18 year olds

135. We have collected provisional plans from each college that show numbers of full-time learners have remained consistent with previous years. Given the majority of 16-18 year olds will be undertaking full time programmes this gives a good indication that 16-18 year olds have been prioritised and therefore protected from any reductions.
136. Planned part time provision reflects the 37.5% reduction with the number of planned part time hours reducing significantly. However, any reduction in general part time hours appears to have been negated by the introduction of the additional funding allocated to the Skills Priority Programme of £12.5m. The specifications of this programme means that the part time learning has to be more focussed on the skills needs of the employed learner, with the aim of improving career opportunities that employers identify.
137. Full analysis of the impact of the reductions in 2014-15 can not be undertaken until delivery in 2014/15 begins and officials are able to monitor actual delivery.

Higher education

Post-16 student support

138. We have allocated £190.9m to the Assembly Learning Grant BEL of the Post-16 learner support Action, which provides support for Assembly Learning Grants and Educational Maintenance Allowances, which is an increase on 2014-15 budgets of £4m.
139. The freezing of grant eligibility levels goes some way to ensuring that support will remain affordable within the published plans. However due to the increase in the number of students eligible for the grant and the anticipated impact of the lifting of the student numbers cap in England there is an expected increase in demand, and additional budget has been allocated.
140. The Welsh Government has recognised that living costs are a key consideration for students and at a time of austerity and in line with our programme for Government commitment we are maintaining the overall level of support that is on offer to our students. This means that Wales continues to have the most generous means tested grant support system than any other UK Administration.
141. We are maintaining funding for the EMA at £30 per week for eligible students in academic year 2014/15. The Welsh Government has commissioned an independent evaluation to be carried out on EMA, which will look at how effective the Scheme has been and whether the funding can be better targeted. We expect to publish the EMA report on 23 October and will consider the implications for the delivery of the EMA in light of its findings and recommendations.

Higher Education Revenue

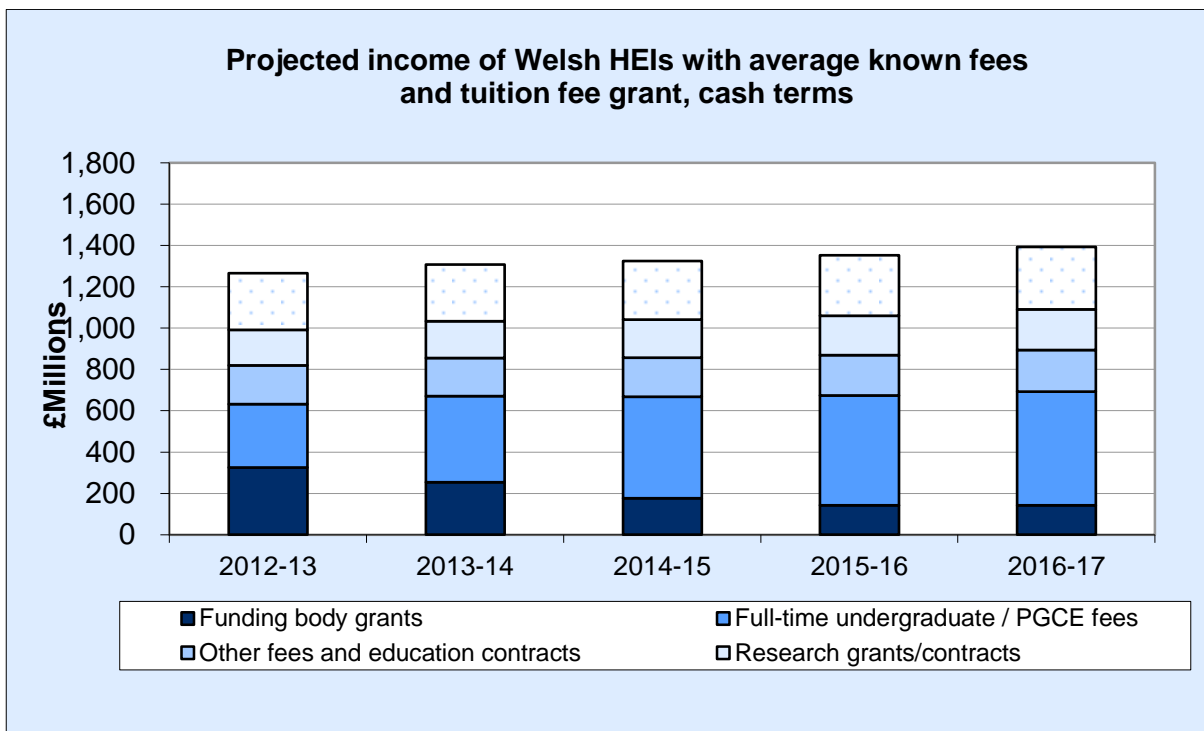
142. Within the Higher Education Revenue BEL of the Higher Education Action we have allocated £330.7m for the funding of the Higher Education Funding Council for Wales (HEFCW). This represents an increase of £0.54m from 2014-15 to reflect the transfer from Local Government for the provision of training for Educational Psychologists.

143. Even in the current economic climate and with significant pressures on government funding and reducing budgets in the public sector, income to the HE sector as a whole in Wales remains strong and is forecast to increase over time. The funding circulars published by HEFCW showed forecast annual increases in income to the sector (from HEFCW grants and tuition fees) of 13.8% in 2013 and 11.1% in 2014. The latest forecasts suggest that income will continue to increase for the lifetime of this Government.

144. It is also important to note that Wales remains a net importer of students from other parts of the UK. As a result, institutions in Wales receive higher amounts of fee income from those students than HEFCW pays in fee grant to institutions outside Wales.

145. In line with previous estimates for income to the HE sector, the following graph outlines the projected income to HEIs in Wales from 2012-13 until the end of the Government term in 2016-17. The following assumptions are contained in the modelling:

- the Welsh Government’s allocation to HEFCW will be flat lined from 2015-16 but that tuition fees increase in line with inflation; and
- cross-border flows and student recruitment continue at current levels.



Tuition Fee Grant

146. Student finance policy is underpinned by a sophisticated financial model which takes into account the current financial provision set aside for higher education in Wales as well as other sources of institutional income such as tuition fees.

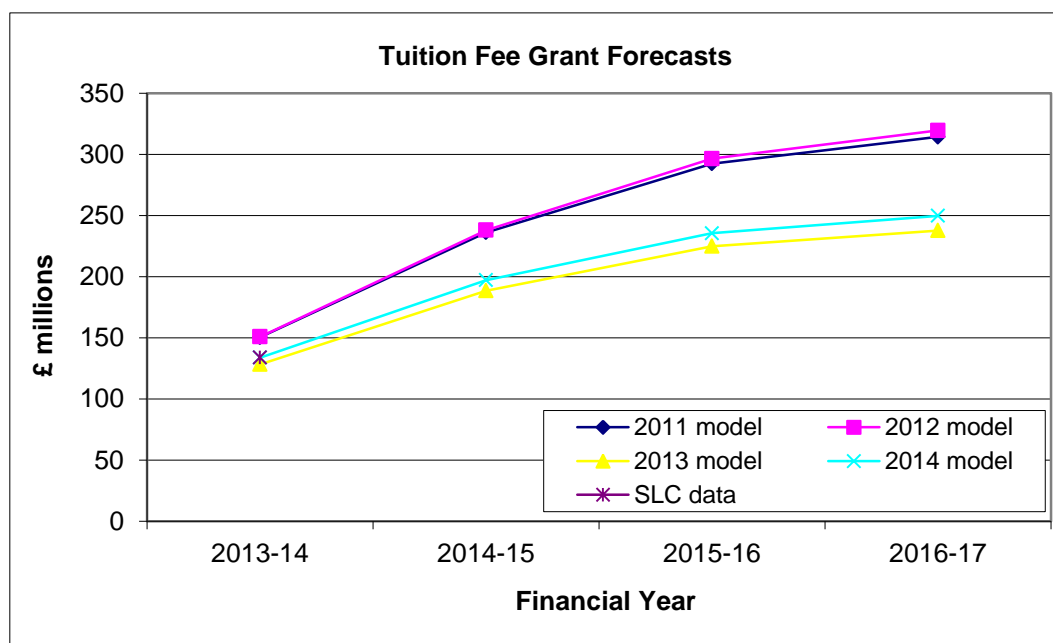
147. Forecasts are reviewed regularly as new or more robust data becomes available. Updated forecasts are produced by the analytical team within the Higher Education Division of DfES at regular points during the financial year to ensure that the latest information regarding student behaviour, demographic trends, take-up rates, socio

economic factors and other relevant data are taken into account. The revised assumptions, data and macro economic factors are entered into the student loan repayment model, which produces future forecasts.

148. The following tables illustrate the changes that have been made to the statistical model by comparing the outputs for the tuition fee grant in the 2013 and 2014 models.

√210_9k (April 2013)					£ millions
		2013-14	2014-15	2015-16	2016-17
Expenditure (£millions)	Welsh in other UK HEIs	42.2	63.1	76.8	82.8
	Welsh in Welsh HEIs	79.3	115.4	136.2	142.6
	EU in Welsh HEIs	6.8	10.0	11.8	12.4
	<i>Total</i>	128.3	188.4	224.8	237.7
√215_9k (April 2014)					£ millions
		2013-14	2014-15	2015-16	2016-17
Expenditure (£millions)	Welsh in other UK HEIs	47.9	73.5	90.8	98.4
	Welsh in Welsh HEIs	79.2	113.8	133.3	139.4
	EU in Welsh HEIs	6.7	9.7	11.4	11.9
	<i>Total</i>	133.7	197.1	235.5	249.7
Differences					£ millions
		2013-14	2014-15	2015-16	2016-17
Expenditure (£millions)	Welsh in other UK HEIs	5.6	10.4	13.9	15.6
	Welsh in Welsh HEIs	-0.2	-1.5	-2.9	-3.2
	EU in Welsh HEIs	0.0	-0.2	-0.4	-0.5
	<i>Total</i>	5.4	8.6	10.7	12.0

149. To demonstrate the amendments that have been made since the announcement of the tuition fee policy in 2010, the following graph outlines the estimates made in each financial year from 2013-14 until 2016-17. This confirms that whilst the projected cost of the tuition fee grant policy has increased since 2013, the costs are still well below the estimate produced in 2011 and 2012.



150. The main drivers for the change from previous forecasts are:
- an increase in student numbers; and
 - a change in cross-border flows.
151. Student numbers are updated on an annual basis, using HESA data. These provide 'actual' student numbers for the most recent year (currently 2012/13) and the subsequent year forecasts are readjusted accordingly. The Student Loan Company data within the model is also updated on an annual basis. This provides actual data for spend as well as take-up rates. As with any other updates, actual data for the most recent year impacts on the forecasts for subsequent years.
152. Average tuition fees are updated on an annual basis, using data from the relevant bodies for each country in the UK. Other data sources, such as UCAS and SLC Management Information, are used to monitor any changes in year. Should this data indicate any major divergence from forecasts (for example in take-up rates, or student numbers) adjustments to the model will be considered by the Student Support Forecasting User Group and, if agreed, the model may be updated to take account of this change.

Funding for HEFCW

153. The last budgeting round considered the possible implications of a change to the regulatory framework and its impact on HEFCW. As a result of these considerations the Council was in a unique position in that it was not subject to the considerable running cost reduction that was experienced by many other sponsored bodies in Wales. This saved HEFCW approximately £0.330m over 2 years (based on an efficiency saving of 6%).
154. We have protected HEFCW's running cost budget of £2.8m in order to ensure that the Council has sufficient staff resources to undertake the new functions proposed in the *Higher Education (Wales) Bill*. The current workloads within HEFCW are expected to change considerably during the next few years and there are a number of tasks that the Council currently undertakes that will not be necessary in future years. It is expected that HEFCW's role shifts from one principally concerned with funding to one concerned with regulation and that it will reallocate its resources accordingly.

Coleg Cymraeg Cenedlaethol

155. Within the For Our Futures BEL within the Higher Education Action, a budget of £8.6m has been provided within HEFCW's provisional allocation to support the Coleg Cymraeg Cenedlaethol in 2015-16, with an additional £0.330m allocated to support Welsh Medium Scholarships.
156. HEFCW was remitted in 2013-14 to undertake an evaluation of the outcome of the Coleg's activities, including a review of the funding provided to the Coleg. The review is underway, conducted by Oldbell3, and reported at the end of September 2014. We will consider the findings prior to finalising the funding envelope for 2015-16 and beyond.

Student Loans Company (SLC)

157. The budget for providing the subsidy for student loans is allocated from the Maintenance Loans Resource Budget provision BEL of £106.849m within the Post-16 Learner Support Action.

158. The funding for Student Loans Company is met from the SLC/HMRC Administration Costs BEL within the Post-16 Learner Support Action, and we have allocated £8.4m in 2015-16. This represents an increase of £2.5m from the indicative plans for 2015-16 as a result of a transfer from the Revenue Support Grant following the modernisation of Student Finance Wales. The student loans company is now providing advice, guidance and the application process for student loans. This was previously carried out by Local Authorities. The modernisation costs have been amalgamated into core funding following the approval of a business case outlining the design of the modernised service.

Summary

159. The Education and Skills Draft Budget for 2015-16 is presented to the Committee for consideration.

**Huw Lewis AM,
Minister for Education and Skills**

**Julie James AM,
Deputy Minister for Skills and Technology**

EDUCATION AND SKILLS MAIN EXPENDITURE GROUP (MEG)									
RESOURCE BUDGET - Departmental Expenditure Limit									
SPA	Actions	Budget Expenditure Line (BEL)	2013-14 Final outturn £000	2014-15 Supplementary Budget June 2014 £000	2014-15 Projected outturn £000	2015-16 Indicative Plans Final Budget December 2013 £000	2015-16 Changes £000	2015-16 New Plans Draft Budget £000	
Education & Training Standards	Literacy & Numeracy	Literacy & Numeracy	7,292	7,036	8,587	6,197	-1,685	4,512	
		ACTION Total	7,292	7,036	8,587	6,197	-1,685	4,512	
	Curriculum	14-19 Learning in Wales		15,428	10,241	10,180	8,000	-8,000	0
		Foundation Phase		100,585	99,751	99,598	99,751	-97,900	1,851
		Curriculum & Assessment		13,294	24,276	34,092	8,305	17,750	26,055
		ACTION Total		129,307	134,268	143,870	116,056	-88,150	27,906
	Teaching & Leadership	Teacher Development and Support		15,489	17,849	12,433	17,849	-7,462	10,387
		Initial Teacher Training (new)		0	0	5,569	0	5,569	5,569
		ACTION Total		15,489	17,849	18,002	17,849	-1,893	15,956
	Qualifications	Qualifications inc Welsh Bacc		3,845	5,045	4,910	5,603	2,300	7,903
		ACTION Total		3,845	5,045	4,910	5,603	2,300	7,903
	Post- 16 Education	Further Education Provision		443,893	413,531	415,335	414,319	-14,142	400,177
		Work Based Learning		127,181	119,308	92,308	121,308	-15,000	106,308
		FE Policy Development		1,063	1,066	1,066	1,066	0	1,066
		ACTION Total		572,137	533,905	508,709	536,693	-29,142	507,551
	Higher Education	HEFCW-Running Costs		2,768	2,768	2,768	2,768	0	2,768
		Higher Education Revenue		348,773	330,341	330,541	330,173	540	330,713
		Higher Education Receipts		-2,212	-2,798	-2,798	-2,798	0	-2,798
		For Our Future - Coleg Ffederal & UHOVI		31,705	32,304	32,304	30,498	0	30,498
		HEFCW Depreciation		82	82	82	82	0	82
		ACTION Total		381,116	362,697	362,897	360,723	540	361,263
	Education Structures	Transformation		2,452	250	250	0	0	0
		ACTION Total		2,452	250	250	0	0	0
	Education Standards	School Governance (was School Effectiveness Grant)		31,348	30,567	27,967	32,067	-30,329	1,738
		School Standards Support		1,916	2,194	2,194	2,194	-830	1,364
		School Improvement Grant (new)		0	0	0	0	141,021	141,021
		ACTION Total		33,264	32,761	30,161	34,261	109,862	144,123
	Pupil Deprivation Grant	Pupil Deprivation Grant		33,444	71,246	69,996	34,246	47,800	82,046
		ACTION Total		33,444	71,246	69,996	34,246	47,800	82,046
	ICT & Information Management Systems	ICT & IMS Programme		8,089	12,981	11,264	6,951	-16	6,935
ACTION Total			8,089	12,981	11,264	6,951	-16	6,935	
		SPA Total	1,186,435	1,178,038	1,158,646	1,118,579	39,616	1,158,195	

Annex 1

SPA	Actions	Budget Expenditure Line (BEL)	2013-14	2014-15	2014-15	2015-16	2015-16	2015-16
			Final outturn £000	Supplementary Budget June 2014 £000	Projected outturn £000	Indicative Plans Final Budget December 2013 £000	Changes £000	New Plans Draft Budget £000
Skilled Workforce	Employment & Skills	Employment & Skills	16,459	19,797	19,798	24,157	0	24,157
		ACTION Total	16,459	19,797	19,798	24,157	0	24,157
	Youth Engagement & Employment	Youth Engagement & Employment	13,947	18,746	8,106	19,746	-4,200	15,546
		ACTION Total	13,947	18,746	8,106	19,746	-4,200	15,546
	Educational & Careers Choice	Careers Wales	31,196	30,500	29,300	27,000	-7,000	20,000
	ACTION Total	31,196	30,500	29,300	27,000	-7,000	20,000	
		SPA Total	61,602	69,043	57,204	70,903	-11,200	59,703
Improving Wellbeing, Reducing Inequality & Increasing Participation	Wellbeing of Children & Young People	Spec. Placements/Students with Learning Difficulties FEIs	17,307	16,002	11,575	16,002	-4,521	11,481
		School Based Counselling	-150	500	80	500	-420	80
		Food & Drink in Schools	1,791	3,185	3,158	3,185	0	3,185
		Additional Learning Needs	747	2,796	1,796	3,046	-800	2,246
		Post 16 Inclusion & Supp for Learning SEN	-452	0	0	0	0	0
		ACTION Total	19,243	22,483	16,609	22,733	-5,741	16,992
	Post-16 Learner Support	Welsh Government Learning Grant (was Assembly Learning Grant)	203,532	196,533	207,218	186,870	4,050	190,920
		SLC/HMRC Administration Costs	12,322	7,338	9,038	5,838	2,500	8,338
		Maintenance Loans Res Budget Prov	462,444	106,849	118,501	106,849	0	106,849
		Targeted Awards	7,553	9,376	9,544	9,004	-2,000	7,004
		ACTION Total	685,851	320,096	344,301	308,561	4,550	313,111
	Pupil Engagement	Tackling Disaffection	863	1,158	338	1,158	-500	658
		Grants for the education of travellers children	1,072	1,100	1,100	1,100	-1,100	0
		Minority Ethnic Achievement Grant	10,457	10,000	8,500	10,500	-10,500	0
		ACTION Total	12,392	12,258	9,938	12,758	-12,100	658
	SPA Total	717,486	354,837	370,848	344,052	-13,291	330,761	
Welsh Language	Welsh in Education	Welsh in Education	14,571	15,462	21,048	14,462	4,137	18,599
		ACTION Total	14,571	15,462	21,048	14,462	4,137	18,599
	Welsh Language	Welsh Language	9,866	8,914	5,748	9,049	-3,790	5,259
		Welsh Language Commissioner	0	0	3,690	0	3,390	3,390
	ACTION Total	9,866	8,914	9,438	9,049	-400	8,649	
	SPA Total	24,437	24,376	30,486	23,511	3,737	27,248	
Delivery Support	Delivery Support	Strategic Communications	1,603	1,483	262	1,483	1,489	2,972
		Education Research & Services	2,336	1,666	1,928	1,566	164	1,730
		ACTION Total	3,939	3,149	2,190	3,049	1,653	4,702
	SPA Total	3,939	3,149	2,190	3,049	1,653	4,702	
Education & Skills Resource DEL			1,993,899	1,629,443	1,619,374	1,560,094	20,515	1,580,609

Annex 1

SPA	Actions	Budget Expenditure Line (BEL)	2013-14	2014-15	2014-15	2015-16	2015-16	2015-16
			Final outturn £000	Supplementary Budget June 2014 £000	Projected outturn £000	Indicative Plans Final Budget December 2013 £000	Changes £000	New Plans Draft Budget £000
CAPITAL BUDGET - Departmental Expenditure Limit								
Education & Training Standards	Estate & IT Provision	General Support	43,021	43,021	43,021	43,021	0	43,021
		Strategic Investment	159,036	110,813	110,813	130,813	0	130,813
		ACTION TOTAL	202,057	153,834	153,834	173,834	0	173,834
		SPA Total	202,057	153,834	153,834	173,834	0	173,834
Education & Skills Capital DEL			202,057	153,834	153,834	173,834	0	173,834

RESOURCE & CAPITAL BUDGET - Annually Managed Expenditure								
Economic & Social Wellbeing & Reducing Inequality	Post-16 Learner Support	Student Loans Capital AME	305,838	338,322	382,074	361,489	43,960	405,449
		Student Loans Revenue AME	-85,302	-92,240	-84,424	-129,627	18,049	-111,578
		ACTION Total	220,536	246,082	297,650	231,862	62,009	293,871
		SPA Total	220,536	246,082	297,650	231,862	62,009	293,871
Skilled Workforce	Educational & Careers Choice	Careers Wales	742	6,000	6,000	6,000	0	6,000
		ACTION Total	742	6,000	6,000	6,000	0	6,000
		SPA Total	742	6,000	6,000	6,000	0	6,000
Education & Skills AME			221,278	252,082	303,650	237,862	62,009	299,871

Education & Skills MEG - SUMMARY								
Resource DEL			1,993,899	1,629,443	1,619,374	1,560,094	20,515	1,580,609
Capital DEL			202,057	153,834	153,834	173,834	0	173,834
Total DEL			2,195,956	1,783,277	1,773,208	1,733,928	20,515	1,754,443
Annually Managed Expenditure			221,278	252,082	303,650	237,862	62,009	299,871
Education & Skills			2,417,234	2,035,359	2,076,858	1,971,790	82,524	2,054,314